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ARIZONA CORPORATION COMMISSION

May 24, 2007

Mr. Jay L. Shapiro
FENNEMORE CRAIG, P.C.
3003 North Central Ave., Suite 2600
Phoenix, AZ 85012-2913

Via First Class Mail & eMail
jshapiro@fclaw.com

Re: Staff's Responses to Pine Water Company's First Set of Data Requests to Staff
Docket No. W-03512A-06-0407; W-03512A-06-0613; and W-03512A-07-0100 &

W-03512A-07-0019

Dear Mr. Shapiro:

Enclosed please find Staff's Responses to Pine Water Company's First Set of Data Requests to Staff regarding the above-referenced matter.

Please do not hesitate to call me if you have any questions.

Sincerely,

Kevin O. Torrey
Attorney, Legal Division
(602) 542-6031

KOT:mam
Enclosure
cc: Docket Control (14 copies)
Steve M. Olea

Arizona Corporation Commission
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**STAFF'S RESPONSES TO PINE WATER COMPANY'S
FIRST SET OF DATA REQUESTS TO STAFF
DOCKET NOS. W-03512A-06-0407; W-03512A-06-0613;
W-03512A-07-0100 (consolidated)
May 24, 2007**

DATA REQUEST 1.1:

In Mr. Olea's testimony (at pps. 5-6), he discusses payment by the Company for water in excess of the amount that is needed to serve a new development. With respect to this testimony, please answer the following questions:

- a. What is Staff's view of the obligation of the Company to pay for excess water if that excess water cannot be used to serve other customers because the delivery of such water to existing customers is not feasible for reasons that include engineering, legal and/or the cost of infrastructure?

RESPONSE: Staff does not understand the question, i.e., why would the Company pay for water it cannot use?

- b. If it is Staff's position that the Company must use such excess water, is it also Staff's position that the Company is required to spend such amounts as are necessary to install and construct infrastructure so that it can deliver the excess water to other customers.

RESPONSE: Yes.

- c. In the alternative, is it Staff's position that the cost of interconnecting the developers' water source to the Company's system so that the excess water can be delivered to existing customers should be borne by the developer under a main extension agreement?

RESPONSE: Maybe. Staff would need more information on the location of the water source and the location of the development in relation to the remainder of the Company's water system.

RESPONDENT: Steven M. Olea, Assistant Director, Utilities Division

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DATA REQUEST 1.2: Why does Staff believe that the Commission can require developers to provide water in excess of the amount that is needed to serve the developers' development properties?

RESPONSE: The Arizona Constitution, Article 15, section 3 allows the Commission to "make and enforce reasonable rules, regulations, and orders for the convenience, comfort, and safety ... of the ... patrons of" public service corporations within Arizona. Staff believes that a policy which requires developers to sell excess water provides for the maintenance of satisfactory water availability within an area of limited water availability, such as the Pine/Strawberry area.

RESPONDENT: Kevin O. Torrey, Attorney, Legal Division

DATA REQUEST 1.3: Is it Staff's position that if its recommended conditions (pps. 8-9) are met, this would constitute a variance from any moratoria on new connections and main extensions without further order of the Commission?

RESPONSE: No. Staff believes that previous Commission decisions already allow main extensions with the conditions contained in Staff's testimony.

RESPONDENT: Steven M. Olea, Assistant Director, Utilities Division

DATA REQUEST 1.4: Regarding Mr. Olea's testimony concerning approvals by ADWR (pps. 6-7), is it Staff's position that such ADWR approval should still be required even if the developer does not otherwise need such approval in connection with the development of his property?

RESPONSE: Yes.

RESPONDENT: Steven M. Olea, Assistant Director, Utilities Division